



Class 2 NICs here to stay

The Chancellor has changed his mind – again – on National Insurance Contributions (NICs) for the self-employed. The Treasury has revealed that Class 2 NICs will remain for at least the rest of this Parliament.

The Treasury's justification was that, without Class 2 NICs, "A significant number of self-employed individuals on the lowest profits would have seen the voluntary payment they make to maintain access to the state pension rise substantially." **A**

This means that over three million people will continue to pay the tax, providing more revenue for the Chancellor at a time that he certainly needs it. However, as many as 300,000 self-employed people earning less than the Small Profits Threshold (£6,032 a year) could have seen their NIC payments rise from £2.95 a week to £14.65 a week. **B**

Mr Hammond originally proposed a reform of National Insurance Contributions (NICs) for the self-employed in his March 2017 Budget. The 2017 proposal was to increase the main rate of Class 4, from 9% to 10% in 2018/19 and again to 11% in 2019/20, bringing it closer to the employee rate of 12%.

The idea lasted less than a week before it was buried under a welter of backbench criticism and *The Sun* newspaper's campaign. Some months later, the Treasury quietly announced that the end of Class 2 NICs would be deferred a year. Now they could survive until 2022, based on the current deadline for the next General Election.

The decision, announced well ahead of the Budget in October, is a reminder of the financial and political constraints faced by the Chancellor. It should also jog your memory about pre-Budget planning – the Chancellor does not appear to be in a position to give anything away.